



Interim financial statements (unaudited)

as at 30 September 2010

These financial statements for the six months ended 30 September 2010 were presented to the Board of Directors on 8 November 2010.

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Management report

The Bank recorded a **net profit** of SDR 356.9 million for the six months ended 30 September 2010. This profit represents a return to a more normal level of profitability in comparison with the exceptionally high profit of SDR 1,300.0 million recorded for the first six months of 2009/10. Last year's profit was achieved against the background of recovery in global financial markets at that time, particularly in the credit markets where many credit spreads against Libor narrowed back towards the levels before the exceptional market turmoil which began in September 2008. The main factors behind this outcome are described below.

Net interest income increased from SDR 679.9 million last year to SDR 774.2 million in the current financial year. The increase in net interest income reflects the impact of early repurchases of Medium-Term Instrument (MTI) liabilities and the associated hedging arrangements.¹ This increase is offset by an equivalent loss within net valuation movements.

Net valuation movements amounted to a loss (-SDR 372.5 million) compared with a gain of SDR 691.1 million in the equivalent period last year. The valuation loss in the current year was attributable to the impact of MTI hedging mentioned above, and to the widening of credit spreads above Libor on the debt interest securities in the Bank's borrowed funds book, which reduced the fair values of these assets. The valuation gain (SDR 691.1 million) in the first six months of the previous financial year was mainly attributable to the narrowing credit spreads described above.

Mainly as a result of the factors above, the Bank's **operating profit** amounted to SDR 308.3 million as compared to SDR 1,266.6 million recorded last year, a decrease of SDR 958.3 million.

A net gain of SDR 26.8 million was realised during the period on the **sale of investment securities**, which the Bank acquired when interest rates were higher. This figure compares with a profit of SDR 33.4 million for the equivalent period last year.

A gain of SDR 21.8 million was realised on the **sale of gold investment assets** during the period, representing the disposal of one tonne of the Bank's own gold. There were no such sales during the first six months of 2009/10.

As a result of these factors, the **net profit** for the first six months of 2010/11 amounted to SDR 356.9 million, SDR 943.1 million below the equivalent figure of SDR 1,300.0 million in the preceding year.

¹ Holders of MTIs may sell these financial instruments back to the BIS at their current market value. When an MTI is repurchased by the BIS, the corresponding assets and hedging arrangements are retained, and are normally refinanced through the issue of new liability financial instruments with similar market risk characteristics. Recent repurchases have taken place in a period of lower market interest rates than when the repurchased MTIs were originally issued. As a result, the Bank's interest accrual margin has widened because the interest rates paid on the refinanced liabilities are lower than on the original MTIs. This has produced a higher net interest income, but this benefit is offset by a correspondingly lower net valuation movement as the assets and hedging arrangements converge to par value at maturity.



* * *

In addition to the items reflected in the Bank's profit and loss account, unrealised gains and losses on the Bank's **securities available for sale and gold investment assets** are recorded in the securities revaluation account and gold revaluation account which are accounts included in the Bank's equity.

The **securities revaluation account** increased by SDR 131.9 million during the period as a result of unrealised gains on investments securities held in the Bank's own funds (SDR 158.7 million), and a transfer to the profit and loss account of realised gains (-SDR 26.8 million) on sales of securities.

The **gold revaluation account** increased by SDR 375.8 million as the value of the Bank's own gold holdings substantially increased as the result of the further appreciation of the gold price (SDR 397.6 million). This gain was offset by a transfer to the profit and loss account from the gold revaluation account of realised gains (-SDR 21.8 million) on the sale of one tonne of the Bank's own gold holdings.

The Bank's **total comprehensive income** amounted to SDR 864.6 million. This represented an annualised return of 10.7% on average equity (SDR 16,089 million), but was less than the return for the equivalent period last year when the total recognised income was SDR 1,321.7 million, and the annualised return on average equity (SDR 14,190 million) was an exceptionally high 18.6%.

After the payment of the **dividend** for the 2009/10 financial year (SDR 374.1 million), the Bank's **equity** increased by SDR 490.5 million. This compares with an equivalent increase of SDR 1,177.0 million in the first six months of the previous financial year.



Balance sheet

SDR millions	Notes	30 September 2010	31 March 2010
Assets			
Cash and sight accounts with banks		2,623.9	1,516.2
Gold and gold loans		46,973.0	43,039.8
Treasury bills	3	75,391.8	84,714.8
Securities purchased under resale agreements	3	62,494.4	42,305.9
Loans and advances	3	21,647.0	19,288.6
Government and other securities	3	51,179.7	53,687.7
Derivative financial instruments		8,391.1	10,114.7
Accounts receivable		7,915.6	4,035.7
Land, buildings and equipment	4	187.2	189.9
Total assets		276,803.7	258,893.3
Liabilities			
Currency deposits	5	192,717.1	195,755.1
Gold deposits		33,547.6	32,064.1
Derivative financial instruments		9,166.2	4,187.4
Accounts payable		24,777.5	10,792.4
Other liabilities		329.5	319.0
Total liabilities		260,537.9	243,118.0
Shareholders' equity			
Share capital		683.9	683.9
Statutory reserves		12,154.4	10,668.7
Profit and loss account		356.9	1,859.8
Less: shares held in treasury		(1.7)	(1.7)
Other equity accounts		3,072.3	2,564.6
Total equity		16,265.8	15,775.3
Total liabilities and equity		276,803.7	258,893.3



Profit and loss account

For the six months ended 30 September

<i>SDR millions</i>	2010	2009
Interest income	1,740.5	2,254.6
Interest expense	(966.3)	(1,574.7)
Net interest income	774.2	679.9
Net valuation movement	(372.5)	691.1
Net interest and valuation income	401.7	1,371.0
Net fee and commission income	1.7	2.6
Net foreign exchange gain / (loss)	1.6	(18.3)
Total operating income	405.0	1,355.3
Operating expense	(96.7)	(88.7)
Operating profit	308.3	1,266.6
Net gain on sales of securities available for sale	26.8	33.4
Net gain on sales of gold investment assets	21.8	–
Net profit for the financial year	356.9	1,300.0
Basic and diluted earnings per share (in SDR per share)	653.5	2,380.4



Statement of comprehensive income

For the six months ended 30 September

SDR millions	2010	2009
Net profit for six months ended 30 September	356.9	1,300.0
Unrealised gain / (loss) on securities available for sale	131.9	(49.4)
Unrealised gain on gold investment assets	375.8	71.1
Total comprehensive income for six months ended 30 September	864.6	1,321.7



Statement of cash flows

For the six months ended 30 September 2010

SDR millions	Notes	2010	2009
Cash flow from / (used in) operating activities			
Interest and similar income received		2,085.8	2,875.3
Interest and similar expenses paid		(924.2)	(1,482.3)
Net fee and commission income		1.7	2.6
Foreign exchange transaction income		17.7	1.3
Operating expenses paid		(90.3)	(82.6)
Non-cash flow items included in operating profit			
Valuation movements on operating assets and liabilities		(372.5)	691.1
Foreign exchange translation gain / (loss)		(16.1)	(19.6)
Change in accruals and amortisation		(387.4)	(713.1)
Change in operating assets and liabilities			
Currency deposit liabilities held at fair value through profit and loss		(935.1)	(10,416.6)
Currency banking assets		5,106.8	5,587.4
Sight and notice deposit account liabilities		(6,894.3)	(4,247.5)
Gold deposit liabilities		1,483.5	7,351.0
Gold and gold loan banking assets		(3,565.8)	(7,349.4)
Accounts receivable		(322.6)	(352.6)
Other liabilities / accounts payable		(362.3)	416.0
Net derivative financial instruments		6,702.4	7,945.5
Net cash flow from operating activities		1,527.3	206.5
Cash flow from / (used in) investment activities			
Net change in currency investment assets available for sale		(695.8)	118.4
Net change in currency investment assets held at fair value through profit and loss		(77.5)	(17.2)
Net change in gold investment assets		30.3	0.7
Net purchase of land, buildings and equipment	4	(3.8)	(4.1)
Net cash flow from / (used in) investment activities		(746.8)	97.8



SDR millions	Notes	2010	2009
Cash flow used in financing activities			
Dividends paid	6	(374.1)	(144.7)
Net cash flow used in financing activities		(374.1)	(144.7)
Total net cash flow		406.4	159.6
Net effect of exchange rate changes on cash and cash equivalents		(115.1)	33.2
Net movement in cash and cash equivalents		521.5	126.4
Net increase in cash and cash equivalents		406.4	159.6
Cash and cash equivalents, beginning of period	8	2,488.8	1,311.8
Cash and cash equivalents, end of period	8	2,895.2	1,471.4



Movements in the Bank's equity

For the six months ended 30 September 2010

SDR millions	Notes	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Other equity accounts	Total equity
Equity at 31 March 2010		683.9	10,668.7	1,859.8	(1.7)	2,564.6	15,775.3
Total comprehensive income		—	—	356.9	—	507.7	864.6
Payment of 2009/10 dividend	6	—	—	(374.1)	—	—	(374.1)
Allocation of 2009/10 profit		—	1,485.7	(1,485.7)	—	—	—
Equity at 30 September 2010		683.9	12,154.4	356.9	(1.7)	3,072.3	16,265.8

For the six months ended 30 September 2009

SDR millions	Notes	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Other equity accounts	Total equity
Equity at 31 March 2009		683.9	10,367.3	446.1	(1.7)	2,220.3	13,715.9
Total comprehensive income		—	—	1,300.0	—	21.7	1,321.7
Payment of 2008/09 dividend	6	—	—	(144.7)	—	—	(144.7)
Allocation of 2008/09 profit		—	301.4	(301.4)	—	—	—
Equity at 30 September 2009		683.9	10,668.7	1,300.0	(1.7)	2,242.0	14,892.9



Notes to the financial statements

1. Accounting policies

The accounting policies adopted by the Bank for these interim financial statements are consistent with those described in the Bank's [80th Annual Report](#).

2. Use of estimates

The preparation of the financial statements requires the Bank's Management to make some estimates in arriving at the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. To arrive at these estimates, Management uses available information, exercises judgment and makes assumptions.

Assumptions include forward-looking estimates, for example relating to the valuation of assets and liabilities, the assessment of post-employment benefit obligations and the assessment of provisions and contingent liabilities.

Judgment is exercised when selecting and applying the Bank's accounting policies. The judgments relating to the designation and valuation of financial instruments are another key element in the preparation of these financial statements.

Subsequent actual results could differ materially from those estimates.

A. The valuation of financial assets and liabilities

There is no active secondary market for certain of the Bank's financial assets and financial liabilities. Such assets and liabilities are valued using valuation techniques which require judgment to determine appropriate valuation parameters. Changes in assumptions about these parameters could materially affect the reported fair values. The valuation impact of a 1 basis point change in spread assumptions is shown in the table below:

SDR millions	30 September 2010	31 March 2010
Treasury bills	–	0.3
Securities purchased under resale agreements	0.2	0.1
Loans and advances	0.3	0.3
Government and other securities	9.9	9.8
Currency deposits	15.7	15.0
Derivative financial instruments	5.8	5.6



B. Impairment provision on financial assets

Gold loans include a provision of SDR 26.7 million following an impairment review as at 30 September 2010 (31 March 2010: SDR 23.5 million). The impairment review was conducted at an individual counterparty level, identifying those counterparties which experienced significant financial difficulties at the balance sheet date. Changes in the impairment provision are included in the profit and loss account under the heading "Net interest income".

C. Actuarial assumptions and medical cost inflation

The valuation of the Bank's pension fund and health care arrangements relies on actuarial assumptions and expectations of inflation and interest rates. Changes to these assumptions would have an impact on the valuation of the Bank's pension fund liabilities and the amounts recognised in the financial statements.



3. Currency assets

Currency assets comprise treasury bills, securities purchased under resale agreements, fixed-term loans and advances, and government and other securities.

Currency assets held at fair value through profit and loss comprise those currency banking assets that represent the reinvestment of customer deposits and those currency investment assets that are part of more actively managed portfolios. Currency assets available for sale comprise the remainder of the Bank's currency investment assets and represent, for the most part, the investment of the Bank's equity.

The tables below analyse the Bank's holdings of currency assets:

As at 30 September 2010

SDR millions	Banking assets		Investment assets		Total currency assets
	Held at fair value through profit and loss	Available for sale	Held at fair value through profit and loss	Total	
Treasury bills	75,259.2	–	132.6	132.6	75,391.8
Securities purchased under resale agreements	62,494.4	–	–	–	62,494.4
Fixed-term loans and advances	21,375.7	–	–	–	21,375.7
Government and other securities					
Government	4,449.1	10,931.4	–	10,931.4	15,380.5
Financial institutions	18,538.0	265.5	622.6	888.1	19,426.1
Other (including public sector securities)	15,257.7	1,115.4	–	1,115.4	16,373.1
	38,244.8	12,312.3	622.6	12,934.9	51,179.7
Total currency assets	197,374.1	12,312.3	755.2	13,067.5	210,441.6



As at 31 March 2010

SDR millions	Banking assets		Investment assets		Total currency assets
	Held at fair value through profit and loss	Available for sale	Held at fair value through profit and loss	Total	
Treasury bills	84,652.5	–	62.3	62.3	84,714.8
Securities purchased under resale agreements	42,305.9	–	–	–	42,305.9
Fixed-term loans and advances	18,316.0	–	–	–	18,316.0
Government and other securities					
Government	7,863.1	9,563.8	8.9	9,572.7	17,435.8
Financial institutions	18,878.3	677.7	543.2	1,220.9	20,099.2
Other (including public sector securities)	14,838.0	1,314.7	–	1,314.7	16,152.7
	41,579.4	11,556.2	552.1	12,108.3	53,687.7
Total currency assets	186,853.8	11,556.2	614.4	12,170.6	199,024.4

Note that the balance sheet heading “Loans and advances” comprises “Fixed-term loans and advances” and notice accounts. The tables above exclude notice accounts which totalled SDR 271.3 million at 30 September 2010 (31 March 2010: SDR 972.6 million).



4. Land, buildings and equipment

For the six months ended 30 September

SDR millions	2010			2009	
	Land	Buildings	IT and other equipment	Total	Total
Historical cost					
Balance at beginning of period	41.2	243.9	88.6	373.7	361.6
Capital expenditure	–	1.7	2.1	3.8	4.1
Balance at end of period	41.2	245.6	90.7	377.5	365.7
Depreciation					
Balance at beginning of period	–	115.2	68.6	183.8	170.6
Depreciation	–	3.8	2.7	6.5	6.1
Balance at end of period	–	119.0	71.3	190.3	176.7
Net book value at end of period	41.2	126.6	19.4	187.2	189.0



5. Currency deposits

Currency deposits are book-entry claims on the Bank. The currency deposit instruments are analysed in the table below:

As at

SDR millions

	30 September 2010	31 March 2010
Deposit instruments repayable at one to two days' notice		
Medium-Term Instruments (MTIs)	55,617.0	52,420.8
Callable MTIs	1,471.8	1,717.3
Fixed Rate Investments of the BIS (FIXBIS)	38,270.7	34,223.7
	95,359.5	88,361.8
Other currency deposits		
Floating Rate Investments of the BIS (FRIBIS)	106.9	116.9
Fixed-term deposits	75,288.3	78,434.1
Dual Currency Deposits (DCDs)	110.2	95.8
Sight and notice deposit accounts	21,852.2	28,746.5
	97,357.6	107,393.3
Total currency deposits	192,717.1	195,755.1
Comprising:		
Designated as held at fair value through profit and loss	170,864.9	167,008.6
Designated as financial liabilities measured at amortised cost	21,852.2	28,746.5

6. Dividends

Dividends of SDR 374.1 million declared for the financial year 2009/10 were paid on 2 July 2010 (2008/09: SDR 144.7 million).



7. Earnings per share

For the six months ended 30 September

	2010	2009
Net profit / (loss) for the period (SDR millions)	356.9	1,300.0
Weighted average number of shares entitled to dividend	546,125	546,125
Basic and diluted earnings per share (SDR per share)	653.5	2,380.4

8. Cash and cash equivalents

The cash and cash equivalents in the cash flow statement comprise:

As at

<i>SDR millions</i>	30 September 2010	31 March 2010
Cash and sight accounts with banks	2,623.9	1,516.2
Notice accounts	271.3	972.6
Total cash and cash equivalents	2,895.2	2,488.8

9. Commitments

The Bank provides a number of committed standby facilities for its customers on a collateralised or uncollateralised basis. As at 30 September 2010, the outstanding commitments to extend credit under these committed standby facilities amounted to SDR 2,320.5 million (2009: SDR 9,078.8 million), of which SDR 193.4 million was uncollateralised (2009: SDR 2,501.3 million).



10. Related parties

The Bank considers the following to be its related parties:

- the members of the Board of Directors;
- the senior officials of the Bank;
- close family members of the above individuals;
- enterprises which could exert significant influence over a member of the Board of Directors or senior official, and enterprises over which one of these individuals could exert significant influence;
- the Bank's post-employment benefit arrangements; and
- central banks whose Governor is a member of the Board of Directors and institutions that are connected with these central banks.

A. Related party individuals

The total compensation of senior officials recognised in the profit and loss account amounted to:

For the six months ended 30 September

CHF millions	2010	2009
Salaries, allowances and medical cover	4.0	3.5
Post-employment benefits	1.1	0.9
Total compensation in CHF millions	5.1	4.4
SDR equivalent	3.4	2.7

For the six months ended 30 September

CHF millions	2010	2009
Directors' fees	0.9	1.0
Pensions to former Directors	0.5	0.3
Travel, external Board meetings and other costs	0.6	0.7
Total compensation in CHF millions	2.0	2.0
SDR equivalent	1.3	1.2

The Bank offers personal deposit accounts for all staff members and its Directors. The accounts bear interest at a rate determined by the Bank based on the rate offered by the Swiss National Bank on staff accounts. The movements and total balance on personal deposit accounts relating to members of the Board of Directors and the senior officials of the Bank were as follows:



For the six months ended 30 September

<i>CHF millions</i>	2010	2009
Balance at beginning of period	19.7	12.8
Deposits taken including interest income (net of withholding tax)	2.1	1.8
Withdrawals	(1.0)	(0.4)
Balance at end of period in CHF millions	20.8	14.2
SDR equivalent	13.7	8.6
Interest expense on deposits in CHF millions	0.3	0.2
SDR equivalent	0.2	0.1

Balances related to individuals who are appointed as members of the Board of Directors or as senior officials of the Bank during the financial year are included in the table above along with other deposits taken. Balances related to individuals who cease to be members of the Board of Directors or senior officials of the Bank during the financial year are included in the table above along with other withdrawals.

In addition, the Bank operates a blocked personal deposit account for certain staff members who were previously members of the Bank's savings fund, which closed on 1 April 2003. The terms of these blocked accounts are such that staff members cannot make further deposits and the balances are paid out when they leave the bank. The accounts bear interest at a rate determined by the Bank based on the rate offered by the Swiss National Bank on staff accounts plus 1%. The total balance of blocked accounts at 30 September 2010 was SDR 21.1 million (2009: SDR 19.8 million). They are reported under the balance sheet heading "Currency deposits".

The Bank made contributions to its staff pension fund totalling SDR 11.3 million for the period ended 30 September 2010 (2009: SDR 9.7 million).

B. Related party central banks and connected institutions

The BIS provides banking services to its customers, who are predominantly central banks, monetary authorities and international financial institutions. In fulfilling this role, the Bank in the normal course of business enters into transactions with related party central banks and connected institutions. These transactions include making advances, and taking currency and gold deposits.

It is the Bank's policy to enter into transactions with related party central banks and connected institutions on similar terms and conditions to transactions with other, non-related party customers.

*Currency deposits from related party central banks and connected institutions*

For the six months ended 30 September

SDR millions	2010	2009
Balance at beginning of period	57,512.6	50,475.4
Deposits taken	190,645.3	174,877.0
Maturities, repayments and fair value movements	(193,658.5)	(177,636.7)
Net movement on notice accounts	(1,851.2)	601.7
Balance at end of period	52,648.2	48,317.4
Percentage of total currency deposits at end of period	27.3%	26.3%

Gold deposit liabilities from related central banks and connected institutions

For the six months ended 30 September

SDR millions	2010	2009
Balance at beginning of period	27,688.7	19,468.7
Deposits taken	—	40.8
Net withdrawals and gold price movements	—	7,308.7
Net movement on gold sight accounts	640.8	(118.5)
Balance at end of period	28,329.5	26,699.7
Percentage of total gold deposits at end of period	84.4%	87.8%

Securitites purchased under resale transactions with related party central banks and connected institutions

For the six months ended 30 September

SDR millions	2010	2009
Balance at beginning of period	4,942.7	4,602.5
Collateralised deposits placed	548,199.3	488,179.2
Maturities and fair value movements	(548,638.8)	(489,535.5)
Balance at end of period	4,503.2	3,246.2
Percentage of total securities purchased under resale agreements at end of period	7.2%	5.4%



Other balances with related party central banks and connected institutions

The Bank maintains sight accounts in currencies with related party central banks and connected institutions, the total balance of which was SDR 2,607.8 million as at 30 September 2010 (30 September 2009: SDR 211.1 million). Gold held in sight accounts with related party central banks and connected institutions totalled SDR 45,553.3 million as at 30 September 2010 (30 September 2009: SDR 30,940.2 million).

Derivative transactions with related party central banks and connected institutions

The BIS enters into derivative transactions with related party central banks and connected institutions, including foreign exchange deals and interest rate swaps. The total nominal value of these transactions with related party central banks and connected institutions during the six months ended 30 September 2010 was SDR 10,366.6 million (30 September 2009: SDR 16,819.9 million).

11. Contingent liabilities

In the opinion of the Bank's Management there were no material contingent liabilities at 30 September 2010.



Capital adequacy

1. Capital

The table below shows the composition of the Bank's Tier 1 and total capital.

As at	30 September 2010	31 March 2010
<i>SDR millions</i>		
Share capital	683.9	683.9
Statutory reserves per balance sheet	12,154.4	10,668.7
Less: shares held in treasury	(1.7)	(1.7)
Tier 1 capital	12,836.6	11,350.9
Profit for the period	356.9	1,859.8
Other equity accounts	3,072.3	2,564.6
Total equity	16,265.8	15,775.3

The Bank assesses its capital adequacy continuously. The assessment is supported by an annual capital and business planning process.

The Bank has implemented a risk framework that is consistent with the *revised International Convergence of Capital Measurement and Capital Standards* (Basel II Framework) issued by the Basel Committee on Banking Supervision in June 2006. The implementation includes all three pillars of the Framework, and takes the particular scope and nature of the Bank's activities into account. Since the Bank is not subject to national banking supervisory regulation, the application of Pillar 2 is limited to the Bank's own assessment of capital adequacy. This assessment is based primarily on an economic capital methodology which is more comprehensive and geared to a substantially higher solvency level than the minimum Pillar 1 capital level required by the Basel II Framework.



2. Economic capital

The Bank's own assessment of its capital adequacy is performed on the basis of its economic capital frameworks for market risk, credit risk, operational risk and other risks. These are designed to determine the amount of equity needed to absorb losses arising from its exposures to a statistical level of confidence consistent with the objective to maintain superior credit quality. The Bank's economic capital frameworks measure economic capital to a 99.995% confidence level assuming a one-year horizon, except for other risks. The amount of economic capital set aside for other risks is based on Management's assessment of risks which are not, or not fully, reflected in the Bank's economic capital calculations.

The following table summarises the Bank's economic capital utilisation for credit risk, market risk, operational risk and other risks:

As at	30 September 2010	31 March 2010
<i>SDR millions</i>		
Credit risk	5,858.7	5,659.8
Market risk	2,789.3	2,708.7
Operational risk	700.0	475.0
Other risks	300.0	300.0
Total economic capital utilisation	9,648.0	9,143.5



3. Risk-weighted assets and minimum capital requirements under the Basel II Framework

The Basel II Framework includes several approaches for calculating risk-weighted assets and the corresponding minimum capital requirements. In principle, the minimum capital requirements are determined by taking 8% of the risk-weighted assets.

The following table summarises the relevant exposure types and approaches as well as the risk-weighted assets and related minimum capital requirements for credit risk, market risk and operational risk.

As at

SDR millions	Approach used	Amount of exposure	30 September 2010		31 March 2010		
			Risk-weighted assets (A)	Minimum capital requirement (B)	Amount of exposure	Risk-weighted assets (A)	Minimum capital requirement (B)
Credit risk							
Exposure to sovereigns, banks and corporates	Advanced internal ratings-based approach, where (B) is derived as (A) x 8%	149,447.8	7,236.5	578.9	207,871.9	9,027.4	722.2
Securitisation exposures, externally managed portfolios and other assets	Standardised approach, where (B) is derived as (A) x 8%	2,713.6	1,260.1	100.8	2,820.7	1,159.5	92.8
Market risk							
Exposure to foreign exchange risk and gold price risk	Internal models approach, where (A) is derived as (B) / 8%	–	10,592.5	847.4	–	10,768.1	861.4
Operational risk							
	Advanced measurement approach, where (A) is derived as (B) / 8%	–	3,986.3	318.9	–	2,256.3	180.5
Total			23,075.4	1,846.0		23,211.3	1,856.9



4. Tier 1 capital ratio

The capital ratio measures capital adequacy by comparing the Bank's Tier 1 capital with its risk-weighted assets. The table below shows the Bank's Tier 1 capital ratio, consistent with the Basel II Framework.

As at	30 September 2010	31 March 2010
<i>SDR millions</i>		
Tier 1 capital	12,836.6	11,350.9
Tier 1 capital net of expected loss (A)	12,836.6	11,350.9
Total risk-weighted assets (B)	23,075.4	23,211.3
Tier 1 capital ratio (A) / (B)	55.6%	48.9%

As required by the Basel II Framework, expected loss is calculated for credit risk exposures subject to the advanced internal ratings-based approach. The expected loss is calculated at the balance sheet date taking into account the impairment provision which is reflected in the Bank's financial statements. Note 2.B. to the financial statements provides details of the impairment provision. In accordance with the requirements of the Basel II Framework, the expected loss is compared with the impairment provision and any shortfall is deducted from the Bank's Tier 1 capital. At 30 September 2010 the impairment provision exceeded the expected loss.

The Bank maintains a very high creditworthiness and performs a comprehensive capital assessment considering its specific characteristics. As such, it maintains a capital position substantially in excess of the minimum requirement.



Risk management

The Bank supports its customers, predominantly central banks, monetary authorities and international financial institutions, in the management of their reserves and related financial activities.

Banking activities form an essential element of meeting the Bank's objectives and as such ensure its financial strength and independence. The BIS engages in banking activities that are customer-related as well as activities that are related to the investment of its equity, each of which may give rise to financial risk comprising credit risk, market risk and liquidity risk. The Bank is also exposed to operational risk.

Within the risk framework defined by the Board of Directors, the Management of the Bank has established risk management policies designed to ensure that risks are identified, appropriately measured and limited as well as monitored and reported.

1. Credit risk

Credit risk arises because a counterparty may fail to meet its obligations in accordance with the agreed contractual terms and conditions. The Bank revalues virtually all of its financial assets to fair value on a daily basis and reviews its valuations monthly, taking into account necessary adjustments for impairment. A financial asset is considered past due when a counterparty fails to make a payment on the contractual due date.

The following tables represent the exposure of the Bank to default risk, without taking account of any collateral held or other credit enhancements available to the Bank. Credit risk is further mitigated through the use of collateral and legally enforceable netting or setoff agreements. The corresponding assets and liabilities are not offset on the balance sheet.

The exposures set out in the tables below are based on the carrying value of the assets on the balance sheet as categorised by sector, geographical region and credit quality. The carrying value is the fair value of the financial instruments, including derivatives, except in the case of very short-term financial instruments (sight and notice accounts) and gold, which are shown at amortised cost net of any impairment charge. Commitments are reported at their notional amounts. Gold and gold loans exclude gold held in custody, and accounts receivable do not include unsettled liability issues, because these items do not represent credit exposures of the Bank.

Gold loans include a provision of SDR 26.7 million following an impairment review as at 30 September 2010 (31 March 2010 SDR 23.5 million). The increase in the provision during the reporting period ended 30 September 2010 is due to changes in gold prices and exchange rates.



As at 30 September 2010, no financial assets were considered past due (31 March 2010: nil).

A. Default risk by asset class and issuer type

The following tables represent the exposure of the Bank to default risk by asset class and issuer type, without taking account of any collateral held or other credit enhancements available to the Bank.

As at 30 September 2010

SDR millions	Sovereign and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	2,613.8	–	8.0	2.1	–	2,623.9
Gold and gold loans	–	–	1,392.8	26.8	–	1,419.6
Treasury bills	75,391.8	–	–	–	–	75,391.8
Securities purchased under resale agreements	8,499.7	–	53,994.7	–	–	62,494.4
Loans and advances	193.4	609.8	20,843.8	–	–	21,647.0
Government and other securities	23,073.3	11,901.6	11,478.9	2,841.8	1,884.1	51,179.7
Derivatives	297.0	90.3	8,003.1	0.7	–	8,391.1
Accounts receivable	290.1	–	318.1	–	–	608.2
Total on-balance sheet exposure	110,359.1	12,601.7	96,039.4	2,871.4	1,884.1	223,755.7
Commitments						
Undrawn unsecured facilities	193.4	–	–	–	–	193.4
Undrawn secured facilities	2,127.1	–	–	–	–	2,127.1
Total commitments	2,320.5	–	–	–	–	2,320.5
Total exposure	112,679.6	12,601.7	96,039.4	2,871.4	1,884.1	226,076.2



As at 31 March 2010

SDR millions	Sovereign and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	1,419.9	–	96.3	–	–	1,516.2
Gold and gold loans	–	–	1,440.6	23.5	–	1,464.1
Treasury bills	84,714.8	–	–	–	–	84,714.8
Securities purchased under resale agreements	4,942.7	–	35,497.5	1,865.7	–	42,305.9
Loans and advances	2,887.0	655.4	15,746.2	–	–	19,288.6
Government and other securities	24,325.0	12,411.4	12,464.5	2,378.4	2,108.4	53,687.7
Derivatives	48.7	139.1	9,926.1	0.8	–	10,114.7
Accounts receivable	182.6	–	378.8	9.4	–	570.8
Total on-balance sheet exposure	118,520.7	13,205.9	75,550.0	4,277.8	2,108.4	213,662.8
Commitments						
Undrawn unsecured facilities	2,420.7	–	–	–	–	2,420.7
Undrawn secured facilities	2,499.1	–	–	–	–	2,499.1
Total commitments	4,919.8	–	–	–	–	4,919.8
Total exposure	123,440.5	13,205.9	75,550.0	4,277.8	2,108.4	218,582.6

**B. Default risk by geographical region**

The following tables represent the exposure of the Bank to default risk by geographical region, without taking account of any collateral held or other credit enhancements available to the Bank.

The Bank has allocated exposures to regions based on the country of incorporation of each legal entity.

As at 30 September 2010

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	2,611.0	3.3	9.6	—	2,623.9
Gold and gold loans	1,095.0	53.6	271.0	—	1,419.6
Treasury bills	29,295.9	43,775.5	2,320.4	—	75,391.8
Securities purchased under resale agreements	57,668.8	4,503.2	322.4	—	62,494.4
Loans and advances	17,321.5	3,145.3	968.5	211.7	21,647.0
Government and other securities	30,595.6	4,878.9	9,247.8	6,457.4	51,179.7
Derivatives	5,887.3	191.0	2,312.0	0.8	8,391.1
Accounts receivable	298.8	0.7	308.7	—	608.2
Total on-balance sheet exposure	144,773.9	56,551.5	15,760.4	6,669.9	223,755.7
Commitments					
Undrawn unsecured facilities	—	193.4	—	—	193.4
Undrawn secured facilities	175.2	1,951.9	—	—	2,127.1
Total commitments	175.2	2,145.3	—	—	2,320.5
Total exposure	144,949.1	58,696.8	15,760.4	6,669.9	226,076.2



As at 31 March 2010

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	1,425.4	0.8	90.0	–	1,516.2
Gold and gold loans	967.5	258.8	237.8	–	1,464.1
Treasury bills	43,846.7	40,642.0	226.1	–	84,714.8
Securities purchased under resale agreements	37,363.3	4,777.9	164.7	–	42,305.9
Loans and advances	14,323.0	3,554.4	822.5	588.7	19,288.6
Government and other securities	33,323.6	4,219.2	9,656.9	6,488.0	53,687.7
Derivatives	7,106.0	237.3	2,771.4	–	10,114.7
Accounts receivable	99.7	91.6	379.5	–	570.8
Total on-balance sheet exposure	138,455.2	53,782.0	14,348.9	7,076.7	213,662.8
Commitments					
Undrawn unsecured facilities	2,223.4	197.3	–	–	2,420.7
Undrawn secured facilities	638.3	1,860.8	–	–	2,499.1
Total commitments	2,861.7	2,058.1	–	–	4,919.8
Total exposure	141,316.9	55,840.1	14,348.9	7,076.7	218,582.6

**C. Default risk by counterparty / issuer rating**

The following tables represent the exposure of the Bank to default risk class of financial asset, without taking account of any collateral held or other credit enhancements available to the Bank.

The ratings shown reflect the Bank's internal ratings expressed as equivalent external ratings. The table shows that the vast majority of the Bank's exposure is rated equivalent to A– or above.

As at 30 September 2010

SDR millions	AAA	AA	A	BBB	BB and below	unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	2,596.4	7.1	17.8	0.6	–	2.0	2,623.9
Gold and gold loans	–	226.4	1,166.4	26.8	–	–	1,419.6
Treasury bills	19,770.5	48,462.1	7,159.2	–	–	–	75,391.8
Securities purchased under resale agreements	3,996.5	6,781.1	51,716.8	–	–	–	62,494.4
Loans and advances	469.6	4,925.0	16,252.2	–	–	0.2	21,647.0
Government and other securities	30,208.4	13,777.1	7,039.5	95.9	58.8	–	51,179.7
Derivatives	91.8	564.0	7,538.1	–	0.5	196.7	8,391.1
Accounts receivable	307.8	289.2	0.1	0.4	0.1	10.6	608.2
Total on-balance sheet exposures	57,441.0	75,032.0	90,890.1	123.7	59.4	209.5	223,755.7
<i>Percentages</i>	25.7%	33.5%	40.6%	0.1%	0.0%	0.1%	100.0%
Commitments							
Unsecured	–	–	–	193.4	–	–	193.4
Secured	230.0	491.3	734.3	420.0	251.5	–	2,127.1
Total commitments	230.0	491.3	734.3	613.4	251.5	–	2,320.5
Total exposure	57,671.0	75,523.3	91,624.4	737.1	310.9	209.5	226,076.2



As at 31 March 2010

SDR millions	AAA	AA	A	BBB	BB and below	unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	1,418.2	6.6	90.7	0.6	–	0.1	1,516.2
Gold and gold loans	–	347.4	1,093.2	23.5	–	–	1,464.1
Treasury bills	29,892.4	45,901.5	8,920.9	–	–	–	84,714.8
Securities purchased under resale agreements	164.8	9,935.1	32,206.0	–	–	–	42,305.9
Loans and advances	1,731.9	3,962.9	12,705.2	230.8	657.8	–	19,288.6
Government and other securities	33,369.9	12,306.2	7,710.4	301.2	–	–	53,687.7
Derivatives	147.4	1,563.4	8,365.3	1.4	37.2	–	10,114.7
Accounts receivable	467.7	91.6	–	–	–	11.5	570.8
Total on-balance sheet exposures	67,192.3	74,114.7	71,091.7	557.5	695.0	11.6	213,662.8
Percentages	31.4%	34.7%	33.3%	0.3%	0.3%	0.0%	100.0%
Commitments							
Unsecured	2,223.4	–	–	197.3	–	–	2,420.7
Secured	219.1	468.3	700.1	871.7	239.9	–	2,499.1
Total commitments	2,442.5	468.3	700.1	1,069.0	239.9	–	4,919.8
Total exposure	69,634.8	74,583.0	71,791.8	1,626.5	934.9	11.6	218,582.6

D. Credit risk mitigation and collateral

As at	30 September 2010		31 March 2010	
	Fair value of relevant contracts	Value of collateral	Fair value of relevant contracts	Value of collateral
SDR millions				
Collateral obtained for				
Securities purchased under resale agreements	42,740.2	42,913.9	34,301.6	35,055.3
Advances	193.4	326.3	1,512.8	2,170.6
Derivatives	2,752.0	2,828.9	4,144.6	4,425.2
Total collateral obtained	45,685.6	46,069.1	39,959.0	41,651.1

The Bank did not provide collateral on any of its financial instruments contracts at 30 September 2010 (31 March 2010: nil).

The above table shows the collateral obtained by the Bank. It excludes transactions which have yet to settle (on which neither cash nor collateral has been exchanged). The Bank obtains



collateral as part of reverse repurchase agreements and collateral agreements for certain derivatives. The Bank is allowed to sell or pledge this collateral, but must deliver equivalent financial instruments upon expiry of the contract. Furthermore, the Bank grants to its customers collateralised loans and advances under committed and uncommitted standby facilities.

The Bank accepts sovereign securities and cash as collateral for derivatives. Eligible collateral for reverse repo agreements comprises sovereign and supranational debt as well as US agency securities. Eligible collateral for loans and advances includes currency deposits with the Bank and units in the BIS Investment Pools (BISIPs) and securities in portfolios managed by the BIS.

As at 30 September 2010, the total amount of undrawn facilities which could be drawn down subject to collateralisation by the customer was SDR 2,127.1 million (31 March 2010: SDR 2,499.1 million).

None of the Bank's counterparties defaulted during the reporting period ended 30 September 2010, and thus the Bank did not seize any collateral.

E. Minimum capital requirements for credit risk

Exposure to sovereigns, banks and corporates

For the calculation of risk-weighted assets for exposures to banks, sovereigns and corporates, the Bank has adopted an approach that is consistent with the advanced internal ratings-based approach.

As a general rule, under this approach risk-weighted assets are determined by multiplying the credit risk exposures with risk weights derived from the relevant Basel II risk weight function using the Bank's own estimates for key inputs. These estimates for key inputs are also relevant to the Bank's economic capital calculation for credit risk.

The credit risk exposure for a transaction or position is referred to as the exposure at default (EAD). In principle, the Bank determines the EAD as the notional amount of all on- and off-balance sheet credit exposures, except derivatives. The EAD for derivatives is calculated using an approach consistent with the internal models method proposed under the Basel II Framework. In line with this methodology, the Bank calculates effective expected positive exposures that are then multiplied by a factor alpha as set out in the Framework.

Key inputs to the risk weight function are a counterparty's estimated one-year probability of default (PD) as well as the estimated loss-given-default (LGD) and maturity for each transaction.

Due to the high credit quality of the Bank's investments and the conservative credit risk management process at the BIS, the Bank is not in a position to estimate PDs and LGDs based on its own default experience. The Bank calibrates counterparty PD estimates through a mapping of internal rating grades to external credit assessments taking external default data into account. Similarly, LGD estimates are derived from external data. Where appropriate, these estimates are adjusted to reflect the risk-reducing effects of collateral obtained giving consideration to market price volatility, remargining and revaluation frequency.



During the reporting period methodological refinements have been implemented to shift the recognition of the risk reducing effects of collateral obtained for derivative contracts, reverse repurchase agreements, and collateralised advances to the EAD. In addition, refinements have been implemented with the aim of extending the scope for the recognition of netting agreements.

The table below details the calculation of risk-weighted assets. The exposures are measured taking netting and collateral benefits into account. The total amount of exposures reported in the table as of 30 September 2010 includes SDR 697.8 million for interest rate contracts (31 March 2010: SDR 4,687.7 million) and SDR 285.6 million for FX and gold contracts (31 March 2010: SDR 6,028.4 million).

Internal rating grades expressed as equivalent external rating grades

As at 30 September 2010		Amount of exposure	Exposure-weighted PD	Exposure-weighted average LGD	Exposure-weighted average risk weight	Risk-weighted assets
Percentages / SDR millions	SDR millions	SDR millions	%	%	%	SDR millions
AAA	49,432.6	0.005	38.1	2.5	1,244.6	
AA	67,075.3	0.01	39.9	3.4	2,286.5	
A	32,522.1	0.04	48.6	10.9	3,559.7	
BBB	351.7	0.16	41.2	29.9	105.1	
BB and below	66.0	0.74	37.4	61.5	40.6	
Total	149,447.7					7,236.5

As at 31 March 2010		Amount of exposure	Exposure-weighted PD	Exposure-weighted average LGD	Exposure-weighted average risk weight	Risk-weighted assets
Percentages / SDR millions	SDR millions	SDR millions	%	%	%	SDR millions
AAA	64,185.5	0.006	31.8	2.7	1,705.0	
AA	70,006.0	0.02	28.3	3.8	2,689.4	
A	70,804.3	0.06	21.0	5.9	4,147.2	
BBB	1,916.2	0.31	16.9	12.0	230.8	
BB and below	959.9	9.85	6.2	26.6	255.0	
Total	207,871.9					9,027.4

F. Securitisation exposures

The Bank only invests in highly rated securitisation exposures based on traditional, ie non-synthetic, securitisation structures. Given the scope of the Bank's activities, risk-weighted assets under the Basel II Framework are determined according to the standardised approach for securitisation. Under this approach, external credit assessments of the securities are used to



determine the relevant risk weights. External credit assessment institutions used for this purpose are Moody's Investor Service, Standard & Poor's and Fitch Ratings. Risk-weighted assets are then derived as the product of the notional amounts of the exposures and the associated risk weights.

The following table shows the Bank's investments in securitisation analysed by type of securitised assets:

As at 30 September 2010

<i>SDR millions</i>	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	AAA	447.8	20%	89.6
Securities backed by credit card receivables	AAA	546.3	20%	109.3
Securities backed by other receivables (government-sponsored)	AAA	822.7	20%	164.5
Total	1,816.8			363.4

As at 31 March 2010

<i>SDR millions</i>	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	AAA	471.6	20%	94.3
Securities backed by credit card receivables	AAA	857.6	20%	171.5
Securities backed by other receivables (government-sponsored)	AAA	747.2	20%	149.5
Total	2,076.4			415.3



2. Market risk

The Bank is exposed to market risk through adverse movements in market prices. The main components of the Bank's market risk are gold price risk, interest rate risk and foreign exchange risk.

A. Gold price risk

Gold price risk is the exposure of the Bank's financial condition to adverse movements in the price of gold.

The Bank is exposed to gold price risk principally through its holdings of gold investment assets, which amount to 119 tonnes (31 March 2010: 120 tonnes). These gold investment assets are held in custody or placed on deposit with commercial banks. At 30 September 2010, the Bank's net gold investment assets was SDR 3,178.5 million (31 March 2010: SDR 2,811.2 million), approximately 20% of its equity (31 March 2010: 18%).

B. Interest rate risk

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates including credit spreads.

The tables below show the impact on the Bank's equity of a 1% upward shift in the relevant yield curve per time band:

As at 30 September 2010

<i>SDR millions</i>	Up to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Euro	(2.9)	(4.7)	(0.7)	(20.8)	(15.6)	(9.5)	(55.8)
Japanese yen	1.2	(3.5)	(7.8)	(14.0)	(18.9)	(7.1)	0.1
Pound sterling	1.2	(0.7)	(5.3)	(7.9)	(15.2)	(2.2)	(6.0)
Swiss franc	(0.4)	(0.2)	(0.4)	(0.6)	(0.7)	(4.4)	6.1
US dollar	(0.1)	(4.0)	(24.0)	(35.9)	(23.2)	(29.4)	(13.6)
Other currencies	–	(4.6)	(5.0)	0.7	0.2	(0.1)	0.2
Total	(1.0)	(17.7)	(43.2)	(78.5)	(73.4)	(52.7)	(69.0)



As at 31 March 2010

SDR millions	Up to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Euro	(3.7)	(8.4)	(12.8)	(20.4)	(11.3)	(16.4)	(48.1)
Japanese yen	0.3	(2.6)	(6.7)	(12.2)	(16.0)	(5.8)	(0.9)
Pound sterling	0.6	(1.0)	(4.9)	(7.3)	(12.8)	(6.3)	–
Swiss franc	0.2	(0.2)	(0.4)	(0.6)	(0.7)	(2.9)	4.6
US dollar	16.8	(18.4)	(17.4)	(34.1)	(49.0)	(20.7)	(19.4)
Other currencies	16.9	15.5	(9.4)	0.5	(0.4)	(0.4)	–
Total	31.1	(15.1)	(51.6)	(74.1)	(90.2)	(52.5)	(63.8)

C. Foreign exchange risk

The Bank's functional currency, the SDR, is a composite currency comprising fixed amounts of USD, EUR, JPY and GBP. Currency risk is the exposure of the Bank's financial condition to adverse movements in exchange rates.

The following tables show the Bank's assets and liabilities by currency and gold exposure. The net foreign exchange and gold position in these tables therefore includes the Bank's gold investments. To determine the Bank's net foreign exchange exposure, the gold amounts need to be removed. The SDR neutral position is then deducted from the net foreign exchange position excluding gold to arrive at the net currency exposure of the Bank on an SDR neutral basis.

**As at 30 September 2010**

SDR millions	SDR	USD	EUR	GBP	JPY	CHF	Gold	Other currencies	Total
Assets									
Cash and sight accounts with banks	–	10.2	198.3	11.1	–	2,393.7	–	10.6	2,623.9
Gold and gold loans	–	11.3	–	–	–	–	46,961.6	0.1	46,973.0
Treasury bills	–	2,320.4	25,328.2	953.1	43,775.6	1,558.3	–	1,456.2	75,391.8
Securities purchased under resale agreements	–	322.4	50,557.6	7,111.2	4,503.2	–	–	–	62,494.4
Loans and advances	211.8	7,119.3	9,965.5	755.0	1,377.0	1,060.9	–	1,157.5	21,647.0
Government and other securities	(10.8)	24,829.8	19,416.3	3,435.0	1,815.3	33.6	–	1,660.5	51,179.7
Derivative financial instruments	(91.5)	7,660.2	584.0	(2,162.7)	24.0	1,952.9	(127.0)	551.2	8,391.1
Accounts receivable	0.1	7,475.6	422.1	–	–	8.5	–	9.3	7,915.6
Land, buildings and equipment	179.2	–	–	–	–	8.0	–	–	187.2
Total assets	288.8	49,749.2	106,472.0	10,102.7	51,495.1	7,015.9	46,834.6	4,845.4	276,803.7
Liabilities									
Currency deposits	(1,458.7)	(131,548.3)	(42,124.9)	(8,861.5)	(3,152.6)	(1,965.2)	–	(3,605.9)	(192,717.1)
Gold deposits	–	(7.7)	–	–	–	–	(33,539.9)	–	(33,547.6)
Derivative financial instruments	3,266.5	87,335.0	(40,314.5)	(164.0)	(43,248.2)	(4,705.0)	(10,115.4)	(1,220.6)	(9,166.2)
Accounts payable	–	(706.2)	(20,232.3)	(8.2)	(3,470.7)	(328.4)	–	(31.7)	(24,777.5)
Other liabilities	–	(53.0)	(2.2)	–	–	(274.0)	–	(0.3)	(329.5)
Total liabilities	1,807.8	(44,980.2)	(102,673.9)	(9,033.7)	(49,871.5)	(7,272.6)	(43,655.3)	(4,858.5)	(260,537.9)
Net currency and gold position	2,096.6	4,769.0	3,798.1	1,069.0	1,623.6	(256.7)	3,179.3	(13.1)	16,265.8
Adjustment for gold investment assets	–	–	–	–	–	–	(3,179.3)	–	(3,179.3)
Net currency position	2,096.6	4,769.0	3,798.1	1,069.0	1,623.6	(256.7)	–	(13.1)	13,086.5
SDR neutral position	(2,096.6)	(4,477.8)	(3,947.2)	(1,004.8)	(1,560.1)	–	–	–	(13,086.5)
Net currency exposure on SDR neutral basis	–	291.2	(149.1)	64.2	63.5	(256.7)	–	(13.1)	–



As at 31 March 2010

SDR millions	SDR	USD	EUR	GBP	JPY	CHF	Gold	Other	Total
Assets									
Cash and sight accounts with banks	–	92.1	110.2	6.7	–	1,303.0	–	4.2	1,516.2
Gold and gold loans	–	11.1	–	–	–	–	43,028.7	–	43,039.8
Treasury bills	–	226.1	37,727.4	3,309.1	40,642.0	374.8	–	2,435.4	84,714.8
Securities purchased under resale agreements	–	164.8	33,618.8	3,744.4	4,777.9	–	–	–	42,305.9
Loans and advances	474.0	8,424.2	4,049.1	552.6	460.2	4,492.9	–	835.6	19,288.6
Government and other securities	–	24,646.8	22,876.5	3,088.0	1,587.0	32.6	–	1,456.8	53,687.7
Derivative financial instruments	3.3	92,178.4	(34,182.7)	455.8	(41,264.4)	(661.0)	(5,295.8)	(1,118.9)	10,114.7
Accounts receivable	0.1	2,300.2	1,456.2	66.4	92.7	8.6	–	111.5	4,035.7
Land, buildings and equipment	185.8	–	–	–	–	4.1	–	–	189.9
Total assets	663.2	128,043.7	65,655.5	11,223.0	6,295.4	5,555.0	37,732.9	3,724.6	258,893.3
Liabilities									
Currency deposits	(1,821.3)	(132,064.1)	(43,134.8)	(10,403.6)	(4,423.6)	(1,240.5)	–	(2,667.2)	(195,755.1)
Gold deposits	–	(7.1)	–	–	–	–	(32,057.0)	–	(32,064.1)
Derivative financial instruments	12.1	12,211.3	(8,789.8)	515.2	99.4	(4,305.3)	(2,867.1)	(1,063.2)	(4,187.4)
Accounts payable	–	(2,064.0)	(8,619.2)	(17.6)	(91.6)	–	–	–	(10,792.4)
Other liabilities	–	(67.2)	(0.3)	–	–	(251.5)	–	–	(319.0)
Total liabilities	(1,809.2)	(121,991.1)	(60,544.1)	(9,906.0)	(4,415.8)	(5,797.3)	(34,924.1)	(3,730.4)	(243,118.0)
Net currency and gold position	(1,146.0)	6,052.6	5,111.4	1,317.0	1,879.6	(242.3)	2,808.8	(5.8)	15,775.3
Adjustment for gold investment assets	–	–	–	–	–	–	(2,808.8)	–	(2,808.8)
Net currency position	(1,146.0)	6,052.6	5,111.4	1,317.0	1,879.6	(242.3)	–	(5.8)	12,966.5
SDR neutral position	1,146.0	(5,866.7)	(5,145.9)	(1,272.2)	(1,827.7)	–	–	–	(12,966.5)
Net currency exposure on SDR neutral basis	–	185.9	(34.5)	44.8	51.9	(242.3)	–	(5.8)	–



D. Minimum capital requirements for market risk

For the calculation of minimum capital requirements for market risk under the Basel II Framework, the Bank has adopted a banking book approach consistent with the scope and nature of its business activities. Consequently, market risk-weighted assets are determined for gold price risk and foreign exchange risk, but not interest rate risk. The related minimum capital requirement is derived using the VaR-based internal models method. Under this method, VaR calculations are performed using the Bank's VaR methodology, assuming a 99% confidence interval, a 10-day holding period and a one-year historical observation period.

The actual minimum capital requirement is derived as the higher of the VaR on the calculation date and the average of the daily VaR measures on each of the preceding 60 business days (including the calculation date) subject to a multiplication factor of three plus a potential add-on depending on backtesting results. For the period under consideration, the number of backtesting outliers observed remained within the range where no add-on is required. The table below summarises the market risk development relevant to the calculation of minimum capital requirements and the related risk-weighted assets over the reporting period.

As at	30 September 2010			31 March 2010		
		Risk-weighted assets	Minimum capital requirement		Risk-weighted assets	Minimum capital requirement
SDR millions	VaR	(A)	(B)	VaR	(A)	(B)
Market risk, where (A) is derived as (B) / 8%	282.5	10,592.5	847.4	287.1	10,768.1	861.4

3. Liquidity risk

Liquidity risk arises when the Bank may not be able to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition.

The Bank is managed to preserve a high degree of liquidity so that it can meet the requirements of its customers at all times.

The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. Within this framework, the Board of Directors has set a limit for the Bank's liquidity ratio which requires liquid assets to be at least 100% of the potential liquidity requirement. The Bank's liquidity has consistently been materially above its minimum liquidity ratio and the requirements of its stress tests.

The following tables show the maturity profile of cash flows for assets and liabilities. The amounts disclosed are the undiscounted cash flows to which the Bank is committed.

**As at 30 September 2010**

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Assets									
Cash and sight accounts with banks	2,623.9	–	–	–	–	–	–	–	2,623.9
Gold and gold loans	45,569.7	76.2	189.8	108.3	839.3	223.3	–	–	47,006.6
Treasury bills	12,404.5	31,629.2	11,621.3	16,167.1	–	–	–	–	71,822.1
Securities purchased under resale agreements	36,647.4	6,295.1	–	–	–	–	–	–	42,942.5
Loans and advances	9,902.7	9,994.4	1,355.4	–	–	–	–	–	21,252.5
Government and other securities	2,050.3	5,182.2	5,122.3	5,865.8	9,516.3	19,294.1	6,098.7	680.5	53,810.2
Total assets	109,198.5	53,177.1	18,288.8	22,141.2	10,355.6	19,517.4	6,098.7	680.5	239,457.8
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–2 days' notice	(9,140.0)	(13,803.9)	(9,699.1)	(10,499.8)	(21,810.0)	(25,063.4)	(2,773.4)	–	(92,789.6)
Other currency deposits	(62,767.5)	(14,871.2)	(3,800.0)	(12,918.3)	–	–	–	–	(94,357.0)
Gold deposits	(32,771.1)	(75.9)	(189.2)	–	(293.6)	(221.7)	–	–	(33,551.5)
Securities sold short	(0.4)	(0.8)	(1.2)	(2.2)	(4.1)	(10.6)	(16.3)	(47.3)	(82.9)
Total liabilities	(104,679.0)	(28,751.8)	(13,689.5)	(23,420.3)	(22,107.7)	(25,295.7)	(2,789.7)	(47.3)	(220,781.0)
Derivatives									
Net settled									
Interest rate contracts	46.9	193.8	315.4	756.6	894.5	624.7	31.5	–	2,863.4
Gross settled									
Exchange rate and gold price contracts									
Inflows	50,436.7	54,333.0	14,618.6	13,864.8	129.7	–	–	–	133,382.8
Outflows	(51,448.4)	(55,423.8)	(15,065.0)	(14,562.9)	(127.6)	–	–	–	(136,627.7)
Subtotal	(1,011.7)	(1,090.8)	(446.4)	(698.1)	2.1	–	–	–	(3,244.9)
Interest rate contracts – gross settled									
Inflows	6.8	0.9	132.5	54.0	58.7	966.0	316.0	–	1,534.9
Outflows	(14.6)	(1.4)	(155.9)	(63.0)	(106.9)	(1,149.6)	(368.7)	–	(1,860.1)
Subtotal	(7.8)	(0.5)	(23.4)	(9.0)	(48.2)	(183.6)	(52.7)	–	(325.2)
Total derivatives	(972.6)	(897.5)	(154.4)	49.5	848.4	441.1	(21.2)	–	(706.7)
Total future undiscounted cash flows	3,546.9	23,527.8	4,444.9	(1,229.6)	(10,903.7)	(5,337.2)	3,287.8	633.2	17,970.1



As at 31 March 2010

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Assets									
Cash and sight accounts with banks	1,516.2	–	–	–	–	–	–	–	1,516.2
Gold and gold loans	41,621.2	188.2	0.2	233.8	285.6	743.1	–	–	43,072.1
Treasury bills	18,983.6	44,817.9	10,718.1	10,160.9	–	–	–	–	84,680.5
Securities purchased under resale agreements	30,810.0	2,779.5	749.9	–	–	–	–	–	34,339.4
Loans and advances	8,977.2	9,138.4	132.8	3.7	17.2	957.9	–	–	19,227.2
Government and other securities	1,798.3	3,172.6	5,605.1	10,821.8	9,349.3	18,426.1	7,214.9	533.3	56,921.4
Total assets	103,706.5	60,096.6	17,206.1	21,220.2	9,652.1	20,127.1	7,214.9	533.3	239,756.8
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–2 days' notice	(7,600.9)	(15,852.5)	(10,355.5)	(9,688.4)	(16,571.6)	(27,601.1)	(3,398.3)	–	(91,068.3)
Other currency deposits	(78,823.0)	(17,938.3)	(6,997.4)	(1,095.1)	–	–	–	–	(104,853.8)
Gold deposits	(31,382.9)	–	–	(232.7)	(66.6)	(386.5)	–	–	(32,068.7)
Securities sold short	(0.3)	(0.7)	(2.0)	(1.0)	(4.0)	(12.0)	(20.2)	(78.9)	(119.1)
Total liabilities	(117,807.1)	(33,791.5)	(17,354.9)	(11,017.2)	(16,642.2)	(27,999.6)	(3,418.5)	(78.9)	(228,109.9)
Derivatives									
Net settled									
Interest rate contracts	863.1	376.2	625.1	573.6	899.0	609.7	36.8	–	3,983.5
Gross settled									
Exchange rate and gold price contracts									
Inflows	31,532.0	50,905.4	15,319.8	10,702.2	–	–	–	–	108,459.4
Outflows	(30,879.9)	(49,419.5)	(14,768.8)	(10,284.6)	–	–	–	–	(105,352.8)
Subtotal	652.1	1,485.9	551.0	417.6	–	–	–	–	3,106.6
Interest rate contracts – gross settled									
Inflows	35.7	219.0	203.8	136.1	110.8	1,013.0	373.9	–	2,092.3
Outflows	(42.9)	(248.5)	(253.6)	(166.4)	(139.2)	(1,148.2)	(417.0)	–	(2,415.8)
Subtotal	(7.2)	(29.5)	(49.8)	(30.3)	(28.4)	(135.2)	(43.1)	–	(323.5)
Total derivatives	1,508.0	1,832.6	1,126.3	960.9	870.6	474.5	(6.3)	–	6,766.6
Total future undiscounted cash flows	(12,592.6)	28,137.7	977.5	11,163.9	(6,119.5)	(7,398.0)	3,790.1	454.4	18,413.5



The Bank writes options in the ordinary course of its banking business. The table below discloses the fair value of the written options analysed by exercise date:

Written options

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
As at 30 September 2010	(29.2)	(0.7)	(13.0)	(22.9)	–	(0.9)	–	–	(66.7)
As at 31 March 2010	–	(5.9)	(8.4)	(32.0)	(1.2)	(1.4)	–	–	(48.9)

The table below shows the contractual expiry date of the credit commitments as at the balance sheet date:

Contractual expiry date

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Maturity undefined	Total
As at 30 September 2010	–	175.2	–	193.4	–	–	–	1,951.9	2,320.5
As at 31 March 2010	2,683.8	–	–	375.2	–	–	–	1,860.8	4,919.8

4. Operational risk

Operational risk is defined by the Bank as the risk of financial loss, or damage to the Bank's reputation, or both, resulting from human factors, failed or inadequate processes, failed or inadequate systems, or external events. Operational risk includes legal risk, but excludes strategic risk.

For the measurement of operational risk, the Bank has adopted an approach that is consistent with the advanced measurement approach proposed under the Basel II Framework for the calculation of operational risk-weighted assets. Internal and external loss data, scenario estimates and control self-assessments to reflect changes in the business and control environment of the Bank are key inputs in the calculations.

In line with the assumptions and key parameters of the Basel II Framework, the calculation of the minimum capital requirement for operational risk does not take reputational risk into account and is determined assuming a 99.9% confidence interval and a one-year time horizon. In quantifying its operational risk, the Bank does not take potential protection it may obtain from insurance into account.

The table below shows the minimum capital requirement for operational risk and the related risk weighted assets:



	30 September 2010			31 March 2010		
	Risk-weighted assets	Minimum capital requirement		Risk-weighted assets	Minimum capital requirement	
SDR millions	VaR (A)	(B)		VaR (A)	(B)	
Operational risk, where (A) is derived as (B) / 8%	318.9	3,986.3	318.9	180.5	2,256.3	180.5